

Message Text

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15

ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 ACDA-07 CIAE-00 DODE-00 PM-04

INR-07 L-03 NSAE-00 NASA-01 NSC-05 ERDA-05 OES-06

COME-00 OTPE-00 USIA-06 /061 W

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P R 121043Z OCT 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 8812

INFO AMCONSUL PONTA DELGADA

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DEPARTMENT PASS EXIMBANK AND DEPARTMENT OF COMMERCE (MEPD)

E.O. 11652: N/A

TAGS: BEXP, PO

SUBJ: AZORES COMMUNICATION SATELLITE SYSTEM

REF: LISBON 5832

1. COMMATT DISCUSSED STATUS OF BIDDING ON ABOVE PROJECT WITH
ITT-SPACE COMMUNICATIONS V.P. WARD AND WITH FINANCIAL DIRECTOR
MURTIERA OF MARCONI.

2. ITT HAS INFORMED MARCONI BY SEPTEMBER 24 LETTER THAT IT
HAS INDICATIONS FROM EX-IM THAT EX-IM IS PREPARED TO SUPPORT
FINANCING OF SALE OF SATELLITE THROUGH COMMITMENT TO MANUFACTURES
HANOVER TRUST UNDER SUPPLIERS-CREDIT PROGRAM. TERMS OF
FINANCING WOULD BE AS FOLLOWS: 15 PERCENT DOWN, 85 PERCENT
PAYABLE OVER MINIMUM OF 5 YEARS, 9 PERCENT INTEREST RATE.
LETTER ADDS THAT ITT HOPES TO HAVE CREDIT PERIOD EXTENDED
TO 8 YEARS. WARD REPORTS THAT MARCONI CONSIDERS 5 YEAR
FINANCING NONCOMPETITIVE WITH OTHER BIDDERS. WARD TOLD
COMMATT THAT EX-IM INFORMED ITT THEY COULD NOT CONSIDER
A DIRECT CREDIT FOR THIS PROJECT BECAUSE OF ITS SMALL
SIZE (\$3.5 MILLION) AND STATED THAT NEW POLICY WAS TO
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PROVIDE SUPPORT THROUGH EX-IM DISCOUNT PROGRAM.

3. MARCONI FINANCIAL DIRECTOR CONFIRMED THAT HE WAS SEEKING LONGER PAYBACK PERIOD BECAUSE FIRM WILL HAVE CASH FLOW PROBLEMS OVER NEXT FEW YEARS. CONSIDERABLE CASH IS TIED UP IN OPERATIONS IN MOZAMBIQUE AND ANGOLA. WHILE AFRICAN SUBSIDIARIES CONTINUE TO OPERATE, THEIR FUTURE STATUS IS STILL UNCLEAR AND IT WILL BE DIFFICULT TO REPATRIATE FUNDS FOR NEXT THREE TO FOUR YEARS. IN ADDITION, MARCONI PROVISIONAL INVESTMENT PLAN CALLS FOR SIGNIFICANT NEW INVESTMENTS IN NEAR FUTURE AS MARCONI PORTUGUESA CHANGES ITS FOCUS FROM AFRICA TO EUROPE. AMONG PROBABLE PROJECTS ARE COMMUNICATIONS SATELLITE FOR MADEIRA AND SUBMARINE CABLES TO FRANCE, THE UK AND NORTH AFRICA. THUS, FIRM NEEDS MOST FAVORABLE POSSIBLE REPAYMENT TERMS. MURTIERA STATED FRANKLY TO COMMATT THAT 5 YEARS, 9 PERCENT INTEREST TERMS WERE NOT COMPETITIVE WITH JAPANESE, FRENCH OR ITALIAN BIDS. HE IMPLIED THAT EIGHT YEARS IS MINIMUM MARCONI WOULD CONSIDER.

4. FIVE BIDDERS WILL BE REDUCED TO TWO COMPANY SHORT LIST ON/ABOUT OCTOBER 15. FINAL SELECTION WILL BE MADE ON/ABOUT OCTOBER 20.

5. ACTION: EMBASSY DOES NOT HAVE DETAILS ON EX-IM POLICY OF PROVIDING DIRECT LOANS ONLY TO PROJECTS OF CERTAIN MINIMUM SIZE. WOULD APPRECIATE GUIDELINES ON PROJECT SIZE, CRITERIA, ETC. WOULD ALSO APPRECIATE EX-IM CURRENT THINKING ON RESPONSE TO ITT REQUEST FOR FINANCIAL SUPPORT.
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Margaret P. Grafeld
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